

Message Text

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC PRIORITY 4103

INFO ALL CONSULATES IN MEXICI VIA POUCH

C O N F I D E N T I A L SECTION 1 OF 2 MEXICO 4503

E.O. 11652: GDS

TAGS: PINT MX

SUBJECT: FUTURE OF GOM-PRIVATE SECTOR RELATIONS

REF: MEXICO 4435

1. SUMMARY: THE CONTROVERSY SPARKED BY THE NEW LAW ON "HUMAN SETTLEMENTS" HAS REVIVED PREOCCUPATIONS CONCERNING THE RELATIONS BETWEEN THE STATE AND THE PRIVATE SECTOR AND RAISED DOUBTS AS TO WHETHER THEY WILL IMPROVE IN THE LOPEZ PORTILLO GOVERNMENT. THE RELIEF AND OPTIMISM WHICH THE PRIVATE SECTOR INITIALLY FELT WHEN JLP WAS NAMED THE PRESIDENTIAL CANDIDATE (OR WHEN AT LEAST CERVANTES DEL RIO, GOMEZ VILLANUEVA, OR MUNOZ LEDO WAS NOT NAMED) HAS WANED AS THE GOM HAS PUSHED THROUGH THREE NEW PIECES OF LEGISLATION INCREASING GOVERNMENTAL SURVEILLANCE OF AND ENCROACHMENT UPON THE PRIVATE SECTOR CONSUMER PROTECTION BILL, TRADEMARKS AND PATENT LEGISLATION, AND THE HUMAN SETTLEMENTS LAW). THE PSYCHOLOGICAL DISTANCE WHICH JLP SEEMED TO PUT BETWEEN HIMSELF AND THE ECHEVERRIA ADMINISTRATION LAST OCTOBER BY HIS PROPOSAL FOR AN ALLIANCE FOR PRODUCTION AND BY SYMPATHETIC ALLUSIONS TO THE PRIVATE SECTOR HAS DIMINISHED AS HE HAS EITHER REFRAINED FROM MAKING SUBSTANTIVE DECLARATIONS OR ECHOED THE PRESIDENT'S RHETORIC. ABETTING THIS DEVELOPMENT HAS BEEN THE ACTIVIST ROLE WHICH PRI PRESIDENT MUNOZ LEDO HAS TAKEN AS PARTY

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SPOKESMAN, GIVING SEVERAL MAJOR AND INCREASINGLY (SO IT

SEEMS) RADICAL SPEECHES. HOW JLP WILL TREAT THE PRIVATE SECTOR AS PRESIDENT IS STILL NOT CLEAR. A FIRST INDICATION WILL BE THE POSITION TO WHICH MUNOZ LEDO IS APPOINTED. END SUMMARY.

2. GOM-PRIVATE SECTOR RELATIONS HAVE DETERIORATED THROUGHOUT THIS ADMINISTRATION. ECHEVERRIA RHETORIC FAULTING THE PRIVATE SECTOR FOR ITS LACK OF "SOCIAL CONSCIENCE" SET THE TONE EARLY IN THE SIX YEAR PERIOD (SEXENIO). THE PRIVATE SECTOR SUCCEEDED IN WATERING DOWN FISCAL REFORM EFFORTS ATTEMPTED IN 1971, BUT AS THE GOVERNMENT CONSOLIDATED ITSELF POLITICALLY IT BECAME MORE SUCCESSFUL IN PUSHING THROUGH LEGISLATION WITH REAL TEETH. (SEE MEXICO A-50 FOR A DESCRIPTION OF THE GROWTH OF THE STATE UNDER ECHEVERRIA). RELATIONS WERE STRAINED TO THE BREAKING POINT WHEN THE PRIVATE SECTOR REACTED VOCIFEROUSLY TO THE ASSASSINATION OF MONTERREY PATRIARCH GARZA SADA IN SEPTEMBER 1973, A CRIME IT PERCEIVED AS FOSTERED BY GOVERNMENT RHETORIC ATTACKING THE PRIVATE SECTOR. RELATIONS WERE STRAINED AGAIN WHEN NEW TAXES WERE IMPOSED AND RATES WERE INCREASED IN LATE 1974

3. THE PRESENT CONTROVERSY WAS SPARKED BY THE PROPOSED LAW ON HUMAN SETTLEMENTS (SEE REF A) BUT HAS ITS UNDERPINNINGS IN THE ABOVE BACKGROUND AND IN PRIVATE SECTOR FEARS THAT THE NEXT SEXENIO WILL WITNESS A CONTINUATION OF PRESENT TRENDS. SEVERAL FACTORS ARE AT WORK. ONE IS THE LEGISLATION WHICH THE GOM IS PUSHING THROUGH THE CONGRESS IN THESE, THE LAST MONTHS OF THE ECHEVERRIA GOVERNMENT, A TIME WHEN THE OUTGOING GOVERNMENT TRADITIONALLY LEAVES THE NEXT GOVERNMENT A FREE HAND. THE VEHEMENCE WITH WHICH THE GOM HAS RESPONDED TO OPPOSITION TO THE HUMAN SETTLEMENT'S LAW, ALLEGING THAT "CLANDESTINE" MEETINGS DESIGNED TO DESTABILIZE THE COUNTRY AND OPEN THE WAY FOR THE INSTALLATION OF A FASCIST REGIME IN MEXICO, HAS BEEN PROFOUNDLY DISQUIETING TO THE PRIVATE SECTOR, WHICH NOT UNNATURALLY BELIEVES THE GOVERNMENT IS ONLY ACTING TO CRUSH DISSENT.

4. (ONE SHOULD NOTE THAT THE PRIVATE SECTOR'S OPPOSITION
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TO THE PROPOSED LAW HAS NOT ALL BEEN OPEN, CONSTRUCTIVE DISSENT, NOR COUCHED IN TERMS DESIGNED TO MAKE THE GOVERNMENT RECEPTIVE TO MODIFICATIONS. AN ANONYMOUS SECTION BY SECTION CRITIQUE HAS CIRCULATED WIDELY AND THERE HAVE BEEN REPORTS THAT PERSONS PASSING THEMSELVES OFF AS GOVERNMENT OFFICIALS HAVE INVENTORIES PRIVATE HOMES TO SEE IF INDIVIDUAL ROOMS MIGHT BE EXPROPRIATED UNDER THE NEW LAW. THE LATTER TACTIC IS

REMINISCENT OF THE RUMOR CAMPAIGN OF LATE 1974 ALLEGING THAT A GOVERNMENT VACCINATION PROGRAM WAS A SURREPTICIOUS STERILIZATION EFFORT.)

5. A SECOND REASON FOR THE UNEASINESS HAS BEEN THE PRIVATE SECTOR IMPRESSION THAT LOPEZ PORTILLO IS EITHER SYMPATHETIC TO THE GOVERNMENT'S PERCEIVED HOSTILITY TO THE BUSINESS COMMUNITY OR TOO WEAK POLITICALLY TO DIS-SOCIATE HIMSELF FROM IT. JLP BEGAN HIS CAMPAIGN EM-PHASIZING HIS PLANS FOR AN "ALLIANCE FOR PRODUCTION". ALTHOUGH THIS THEME STILL GETS OCCASIONAL MENTION, IT IS MORE OFTEN FUSED WITH ECHEVERRIA'S "POPULAR ALLIANCE" OR OVERSHADOWED BY MORE PARTY LINING CONDEMNATIONS OF PRIVATE SECTOR RESPONSIBILITY FOR SOCIAL AND ECONOMIC INEQUALITIES. IN THE PRESENT CONTROVERSY, FOR EXAMPLE, JLP WAS QUICK TO SUPPORT THE PRESIDENT'S "EXPOSE" OF THE "SUBVERSIVE CAMPAIGN" AGAINST THE PROPOSED LAW BY DENOUNCING "KLU KLUX KLANERS". THE ACTIVITY OF THE PRESENT ADMINISTRATION TO PERPETUATE ITS POLICIES VIA. E.G., LEGISLATION AND LONG TERM INVESTMENT PROGRAMS HAS TENDED TO MAKE JLP APPEAR LESS INDEPENDENT TO BUSINESSMEN THAN HE DID INITIALLY.

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC PRIORITY 4104

INFO ALL CONSULATES IN MEXICO VIA POUCH

C O N F I D E N T I A L SECTION 2 OF 2 MEXICO 4503

6. RELATED TO THIS UNCERTAINTY REGARDING LOPEZ PORTILLO HAS BEEN THE DISMAY WITH WHICH THE PRIVATE SECTOR HAS VIEWED THE EMERGENCE OF ITS NEMESIS, MUNOZ LEDO, AS THE

PERSON SETTING THE TONE AND STYLE OF THE POLITICAL ATMOSPHERE DURING THE TRANSITION PERIOD. ON THE OCCASION OF THE NEW PRI CANDIDATES' OATH-TAKING, MUNOZ LEDO ATTACKED "REGRESSIVE ELEMENTS ENCRUSTED IN THE PARTY", A STATEMENT GENERALLY INTERPRETED AS AN ALLUSION TO SUPPORTERS OF THE MORE PRO-BUSINESS ORIENTED MOYA PALENCIA. THE EXCLUSION OF MOYA AND HIS FOLLOWERS FROM THE SELECTION PROCESS SEEMED TO UNDERSCORE MUNOZ'S REMARKS. MUNOZ RETURNED TO THIS THEME WHEN HE ADDRESSED THE CTM RALLY MARCH 20. HIS STRONGEST ATTACK TO DATE OCCURRED APRIL 4 WHEN HE MADE EIGHT COLUMN HEADLINES DECLARING THAT "PERHAPS THE TIME HAS COME FOR THE WORKERS TO TAKE DIRECT ACTION TO PREVENT ILLEGAL ACTIONS OF BAD MEXICANS".

7. THIS LAST REMARK DREW SHARP CRITICISM FROM PRIVATE SECTOR LEADER JORGE SANCHEZ MEJORADA, WHO SAID THERE HAD NEVER BEEN A MORE "DESTRUCTIVE OR INOPPORTUNE SPEECH". EVEN EXCELSIOR EDITORIALIZED THAT THE SPEECH WAS AN INCITATION FOR WORKERS TO SEIZE FACTORIES.

8. COMMENT: LIKE PREVIOUS SUCH CRISES, THE PRESENT ONE WILL PROBABLY BLOW OVER AS TEMPER COOL AND AMENDS ARE
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MADE PRIVATELY. BUT THE MUTUAL DISTRUST AND SUSPICION BETWEEN GOVERNMENT AND BUSINESS IS PROFOUND. IT IS NOT LIKELY TO BE MITIGATED, IF AT ALL, UNTIL MEXICO IS WELL INTO THE LOPEZ PORTILLO TERM OF OFFICE. THE PRIVATE SECTOR WILL BE LOOKING FOR INDICATIONS AS TO HOW PRESIDENT LOPEZ PORTILLO WILL TREAT THE PRIVATE SECTOR; A FIRST BENCHMARK WILL BE THE FATE OF PROFIRIO MUNOZ LEDO.

9. WITH REFERENCE TO ARA/MEX INQUIRY, GOM CONDEMNATIONS OR PRIVATE SECTOR OPPOSITION TO HUMAN SETTLEMENTS LAW HAVE NOT SOUGHT TO IDENTIFY THE UNITED STATES AS BEING INVOLVED DIRECTLY. MUNOZ LEDO IN HIS APRIL 4 SPEECH (PARA 6) DID SAY THAT THE OPPOSITION WAS ALLIED "MENTALLY AND SPIRITUALLY TO THE METROPOLIS" AND, AS HE DID ALSO IN OTHER SPEECHES REFERRED TO, MADE OBLIQUE REFERENCE TO MARCH 18 REMARKS OF AMBASSADOR JOVA AT AMERICAN UNIVERSITY. BUT RELATIVE TO PREVIOUS EPISODES IN WHICH GOM OFFICIALS HAVE POINTEDLY SUGGESTED US INVOLVEMENT, ALLEGATIONS OF THIS KIND HAVE BEEN MARGINAL TO THE DEBATE.
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